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Subseries 4: Administrative Files, 1945-1994.

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Box	Folder
39	1

Fact sheets. 1969-1971.

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NO. \_\_\_\_\_

FACT SHEET

1. It is estimated that the Israel budget for fiscal year 1970, beginning next April 1st, will look somewhat as follows:

	<u>IL Billion</u>
<u>TOTAL EXPENDITURE</u>	<u>9.5</u>
of which DEFENSE will be allotted 4.0 (42%), although Ministry of Defense has requested more, and will probably receive more before fiscal year is completed.	
<u>TOTAL INCOME</u>	
From: TAXATION, including income, customs, excises, etc..	4.8
INTERNAL LOANS, mainly bonds bought by Israeli public and banks.....	2.0
EXTERNAL LOANS, from outside Israel.....	1.0
MISCELLANEOUS.....	.5
UNCOVERED DEFICIT, source for which as yet unknown..	<u>1.2</u>
	9.5

2. Defense costs will consume 83% of tax revenue (4 billion IL out of 4.8 billion IL, as a minimum). All other services for the population must be met out of the balance, which might be IL 800 million, as a maximum. This is obviously an impossibility.

3. It is estimated that the costs of social services for the population, including immigration and absorption, for fiscal 1970 in all areas will approximate IL 2.6 billion (or \$750 million). Of this it is estimated that \$500 million are in areas which have been the traditional responsibility of philanthropy, and which must be met by philanthropic dollars, as follows:

Immigration, Transportation, Absorption, Social Welfare Services.....	\$ 135
Health Services, maintained at 1968 levels.....	60
Education (non-compulsory: pre-kindergarten, secondary, vocational).....	75
Institutions of Higher Learning.....	55
Youth Care and Training.....	10
Absorption in Agricultural Settlements (excluding occupied areas).....	40
Immigrant Housing.....	<u>125</u>
TOTAL.....	\$500



4. The following table summarizes some of the above:

BUDGET DATA, by FISCAL YEARS (April 1-March 31)  
(in Billion Israel Pounds)

	1966/67	1967/68	1968/69	1969/70	1970/71
<u>TOTAL EXPENDITURES</u>	4.5	5.7	6.4	8.1	9.5
Defense Expenditures	1.2	2.0	2.7	3.3	4.0
(Defense as % of total)	(27%)	(35%)	(42%)	(40%)	(42%)
<u>INCOME FROM:</u>					
Taxation	2.5	2.8	3.2	4.0	4.8
(Defense as % of tax revenue)	(48%)	(71%)	(84%)	(83%)	(83%)
Internal Loans	.8	1.3	1.5	2.0	2.0
External Loans	.6	.9	.8	1.0	1.0
Miscellaneous	.3	.5	.5	.4	.5
Uncovered Deficit	.3	.2	.4	.7	1.2
GNP	11.4	12.1	14.0	15.7	17.0
Defense as % of GNP	(11%)	(16%)	(19%)	(21%)	(24%)

THE ECONOMY KEEPS GROWING, THE PEOPLE OF ISRAEL KEEP PAYING MORE TAXES, BUYING MORE GOVERNMENT BONDS, AND YET THE DEFENSE COSTS MOUNT IN SUCH TREMENDOUS VOLUME AS TO CONSUME ALMOST THE ENTIRE TAX INCOME AND ALMOST ONE-FOURTH OF THE ENTIRE GNP. NO COUNTRY IN THE ENTIRE WORLD BEARS SUCH A BURDEN. IN AMERICAN EQUIVALENT TERMS, THE GNP IS AROUND \$900 BILLION AND THE DEFENSE COST IS AROUND \$80 BILLION, OR 9%. IMAGINE THE EFFECT IN THE U.S. IF THE DEFENSE COST WAS 24%, OR WELL OVER \$200 BILLION.



5. As examples of some of the military expenses, but obviously not all-inclusive, are the following items:

	<u>million \$</u>
a) Air force needs, including Phantoms, Skyhawks, helicopters..	210
b) Sinai Desert-Suez Canal area, including repair of fortifications and road to Sharm-el-Sheikh.....	30
c) Fortifications and shelters - Lebanese border.....	20
d) Fortifications, shelters, defense devices - Jordan border - all way down to Eilat.....	50
e) Fortifications and shelters - Golan Heights.....	10
f) Occupied territories - social services and economic reconstruction.....	70
g) Occupied territories - military expense.....	200
h) Armored Corps needs.....	75
i) One week of heavy shelling across Canal.....	3.5

6. The present situation requires more men to serve in both regular forces and in the reserves, 42 days per year. ISRAEL HAS TODAY 10% OF ITS ENTIRE LABOR FORCE IN UNIFORM. It is obvious what a disruptive effect this has on the total economy. In American terms, this would mean maintaining an armed force of more than 8 million men (10% of a labor force of 83 million). Actually, the American armed force is about 3½ million men, fulfilling all global commitments, including Vietnam. In relative terms, the Israeli burden is almost three times greater than the American burden.

7. Casualties are mounting, both civilian and military, both dead and wounded. During the Six-Day War, there were 759 dead and about 2000 wounded. SINCE THE WAR, THERE HAVE BEEN 401 DEAD AND 1551 WOUNDED (figures as of 8 August 1969).

8. Another way to look at the terrible burden of defense is in terms of the balance of payments for Israel. For fiscal 1970, it is estimated that the gap between imports and exports will be \$975 million, of which \$525 will be directly attributable to defense purchases.

Balance of Payments Data, by Calendar Year  
(in million \$)

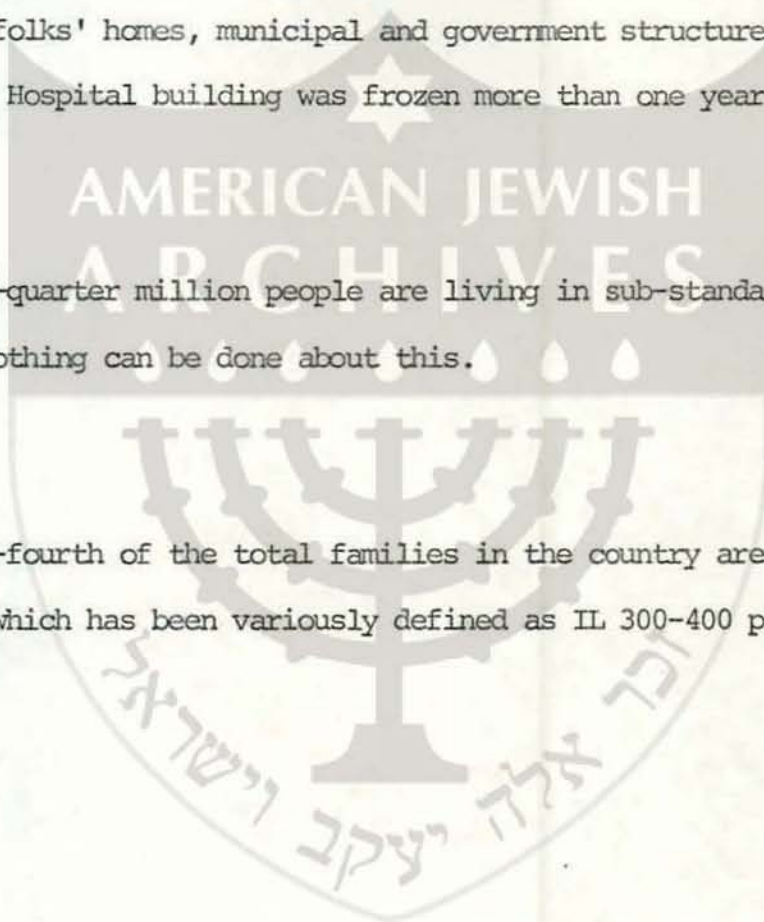
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
TOTAL IMPORTS (of which for defense)	1,317 (159)	1,479 (324)	1,876 (347)	2,200 (425)	2,475 (525)
TOTAL EXPORTS	872	950	1,180	1,325	1,500
DEFICIT	445	529	696	875	975
DOLLAR RESERVES, at beginning of year	643	621	715	663	500
RESERVES, as % of Imports	(49%)	(42%)	(38%)	(30%)	(20%)

IN OTHER WORDS, BY THE END OF 1969 THE DOLLAR RESERVE WILL BE DROPPING  
TO THE DANGEROUS POINT OF BEING ABLE TO COVER ONLY 2½ MONTHS WORTH OF TOTAL IMPORTS.

9. It is interesting to note that in regard to the U.S.-Israel balance of payments, Israel is currently spending more money in the U.S. than she is receiving from the U.S., in all categories. For 1969, there will be a capital deficit for Israel of \$15 million, for 1970 it is estimated to rise to \$75 million.



10. It is anticipated that the number of new immigrants during 1970 will be at least 40,000 persons - possibly rising as high as 50,000 if conditions in a particular country permit. This will be a very sizable increase over previous years.
11. Social services are being frozen at 1967/8 levels, which includes welfare grants. As of August 1969, all public building is being frozen, including community centers, old folks' homes, municipal and government structures, synagogues and sport clubs. Hospital building was frozen more than one year ago.
12. One-quarter million people are living in sub-standard housing, dangerous slums - and nothing can be done about this.
13. One-fourth of the total families in the country are living below the poverty line, which has been variously defined as IL 300-400 per month per family (about \$100).





CONCLUSIONS

1. In the face of Arab refusal to make peace, and the mounting intensity of the war of attrition and terrorism, Israel's need to defend herself mounts in cost. In fiscal 1970 defense costs will be more than twice as much as the defense costs during the year of the Six-Day War.

2. The Israeli citizen, bearing one of the heaviest tax burdens in the entire world, will produce enough revenue just barely to cover the defense costs, with almost nothing left over.

3. The social costs for the population rise, as immigration rises, and the entire responsibility for the philanthropic burden must be met by free world Jewry, not partial response, as has been the case in the past.

4. The Emergency Fund for 1969 will achieve a bit more than \$100 million in pledges, and the Regular Fund just under \$75 - for a total of \$175 million. This will be a \$20 million total increase over 1968.

5. For 1970 it is necessary for the Emergency Fund to reach the Six-Day War level of \$175, which, together with the Regular Fund of \$75, will represent a total of \$250 million. Even this is only half the amount required. A tremendous effort will be made by other Jewish communities in the world, as well. There is simply no alternative.

1/4 million people Pinnes  
4/5/6

living in housing  
conditions which are  
~~the~~ slums - substandard

4000 people unable to  
marry because no  
housing

immigration cost \$ 600 per  
head average all countries  
(if Rumania increases, average will  
go up)

absorption cost probably \$ 14000 per family



9. Some people are interested in the U.S. - Israel balance of payments, i.e. how much money does Israel take out of the United States, especially since the American government ~~expresses concern from time to time about a dollar~~ ~~outflow~~. The ~~surprising~~ <sup>surprising</sup> fact is that Israel spends more in the U.S. than she takes out. The following table is illustrative:

U.S. - Israel Balance of Payments, by Calendar Year  
(in million \$)

	1966	1967	1968	1969	1970
<u>MONEY TAKEN out OF U.S.</u>					
- for purchases of Israeli goods & services	196	214	300	280	290
- <del>through</del> all capital export, i.e. bonds, USA, Export-Import loans, PL 480, individual transfers, investment	232	464	314	345	435
	<u>428</u>	<u>678</u>	<u>614</u>	<u>625</u>	<u>725</u>
<u>MONEY SPENT IN U.S.</u>					
for purchase of U.S. goods & services	400	434	570	640	800
<u>OVERALL ISRAEL SURPLUS OR DEFICIT</u>	<u>+ 28</u>	<u>+ 244</u>	<u>+ 44</u>	<u>- 15</u>	<u>- 75</u>

Thus, in fiscal ~~1969~~ <sup>1969</sup>, Israel is spending \$15 million more in U.S. than she is receiving, and by fiscal 1970 this





~~Payment for~~

<sup>fiscal</sup>

1969/70 - 13.5 m. \$ 1970/71 - 11.4 m. \$

Schedule of payments on 50 Phantoms

~~the~~ other major military items - similar list

R + D - jet aircraft, tanks,

~~list~~

men under arms -

casualties - mil. + civilian, dead + wounded separate  
since war

military  
equipment losses

dramatic facts:

1. Daily military exp. - \$ 3 million
2. Heavy week shelling on Canal - \$ 3.5 mill
- 3.



Total Budget ✓

Defense Budget (pounds - and - dollars) ✓ <sup>= 3.5</sup> <sub>← Currency</sub>

Defense as % Percentage of Total Budget  
Income From Taxation ✓

% of Taxable Income to Defense ✓

Other income ✓

1970 GNP = 17.0

% of GNP for Defense ✓

1969 = 15.7  
8.5% net

Reserve in foreign currency ✓

% Reserve as a % of Imports ✓

Balance of Payments -

% of Deficit attributable to Defense ~~Expendit~~ Procurement  
only 15% ✓

Israel - U.S. Balance of payments <sub>← Currency</sub>



Sharef - 6 Sept 69

New stage of our war with Arabs  
War of attrition - to bring us down  
by exhaustion

We have 3 alternatives:

1. retreat to old armistice lines  
(not even State Dept asks this)
2. full-out war
3. out-last this war of attrition

How long can we maintain this stalemate?

We were a losing nation for 1900 years (since  
Hasmoneans) - and we are a winning nation  
now because we are acting in a certain way -  
so we will maintain this stalemate as long as  
necessary

X  
Poverty line -  $\pm$  3500 per year - 1/4 of our  
families are living under this line - and this  
affects the unity of our nation and its ability  
to hold out.

Ashtrol part controlled by Sephardi workers who want  
equality (or more) than Ashkenazi Hasidic workers.  
There is danger of "two Israels".



Reservists are called for 42 days -  
This seriously affects total economy and  
a man's personal living if he is small artist.

---

X A single day of heavy firing on Canal  
cost \$ 2 m. in shells. This kept them quiet  
almost a month.

---

Our debt has increased this year by  
\$ 1 billion -  $\frac{2}{3}$  internal loans.

---

Defense Expenditure does 2 things:

1. Good - helps develop our industry. We  
are producing 1 b. more goods than  
last year. We can foresee few years  
ahead when our imports for defense  
will start going down.

We acquire better technology - higher  
standards for our workers. U.S. has  
ordered some of our electronic gadgets  
(fence).

2. Bad - a) Expense  
b) Imports



Pinus - 6 Sept 69

Battlefield courage is short-lived,  
adrenalin-aided.

Courage we require in addition is  
long-lived to maintain ~~it~~ long  
as necessary all fronts - military,  
economic, home.

X  

---

Rebuilding airfields (and building new ones)  
to handle new aircraft will cost,  
over 2-3 year period, \$1,500 m.

X  

---

1/4 million people living in dangerously  
low housing conditions (This affects home  
front)

---

Lowering of morale on home front  
will affect soldiers. Any soldier who worries  
about his family at home weakens the military  
front

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We are reaching cross-road -

one way to disaster, if we weaken

one way to survival, if we hold on.

This is answer to question - how long?



FACT SHEET

1. It is estimated that the Israeli internal revenue for fiscal year 1969, beginning April first, i. e., everything which can be expected to come from the Israeli citizens themselves, through their tremendously high tax schedule, will be somewhere between IL 3.3 and IL 3.6 billion (approximately \$1 billion).
2. It is estimated that the defense budget for operations and maintenance, exclusive of capital, in fiscal 1969, will be more than IL 3 billion (also about \$1 billion). Two years ago the comparable figure was IL 1.25 billion.
3. It is estimated that the costs for social services of the population in fiscal 1969 <sup>including immigration & absorption</sup> 1970 in all areas will be ~~\$420~~ <sup>approx 500 approx 750</sup> million. Cf this, it is estimated that ~~\$365~~ <sup>500</sup> million are in areas which have been the traditional responsibility of philanthropy, and which must be met by available philanthropic dollars, as follows:

Social Welfare Services, including	
Immigration and Absorption	\$100,000,000
Health Services	50,000,000
Education (non-compulsory: pre-kindergarten, secondary, vocational)	75,000,000
Institutions of Higher Learning	35,000,000
Youth Care and Training	6,000,000
Absorption in Agricultural Settlements (excluding occupied areas)	24,000,000
Immigrant Housing	<u>75,000,000</u>
TOTAL	\$365,000,000

FROM THE ABOVE THREE ITEMS IT IS CLEAR THAT ALMOST THE ENTIRE REVENUE OF ISRAEL IS REQUIRED TO MAINTAIN HER DEFENSE, AND THAT THERE IS PRACTICALLY NO MONEY AVAILABLE FROM ISRAEL'S INTERNAL REVENUE SOURCES FOR ANY OF THE SOCIAL SERVICES FOR THE POPULATION.



4. It is anticipated that the number of new immigrants during 1969 will be at <sup>40,000 - 50,000</sup> least 30,000 persons, which is a considerable increase over the years of 1967 and perhaps 1968. <sup>public</sup> All <sup>public</sup> buildings frozen from Aug 69 - include hospitals, community centers, old folks homes, municipal & govt buildings, <sup>synagogues, exclude schools.</sup>
5. Social Services are being frozen at 1968 levels. All hospital building is being frozen, as well as psychiatric services, pre-natal and infant welfare clinics, and welfare grants.
6. It is estimated that 123,000 families (one out of five) are living in sub-standard housing, and nothing can be done in 1969 to improve this situation. *no change*
7. It is estimated that there are 116,000 (one out of six) families living below the poverty line, which has been defined as IL 400 (less than \$115) per family per month, and nothing can be done to relieve this situation in 1969. *no change*
8. The defense budget of Israel for fiscal 1969 will be 20% of the Gross National Product. The comparable figure for the United States is 10%. This is clearly a tremendous burden on the people and economy of Israel.
9. In spite of the anticipated increase in Israel's exports, as her economy expands, the balance of payments deficit for 1969 is expected to be between ~~\$600~~ <sup>675</sup> - ~~\$650~~ million, out of which imports for defense purposes will account for ~~\$370~~ <sup>525</sup> million.
10. The military operating budget referred to in Paragraph 2 above and the balance of payments deficit referred to in Paragraph 9 above does not include capital payments for such items as purchase of Phantoms, or other sophisticated weapons which must be manufactured in Israel, for which there will obviously be very heavy costs.

11. It is estimated that 3% of the population of Israel is in uniform and on active service, all year round. To understand the meaning of this burden, translated into American terms this would mean an army of 6 million men in the United States. Actually, even with our commitments in Vietnam, NATO, and other parts of the world, the United States does not have more than 3-1/2 million men in uniform.

12. As an example of some of the expenses of the military budget, referred to in Paragraph 2 above, but by no means all-inclusive, are the following items:

	<u>\$ Million</u>
a) Sinai Desert - Suez Canal Area	55
b) Military expenses in occupied territories	140
c) Social services in occupied territories	30
d) Border guards and electronic fence, against infiltrators	75
e) Navy, to keep open passage to Eilat	20
f) Jordan and Beit Shean Valley, for shelters, paving of roads and concrete roofs	10
g) Civil defense, including anti-gas, in vulnerable areas	10
h) Air force and armoured corps needs	300

#### CONCLUSION

From all of the above, certain conclusions are clear and obvious.

1. In the face of continuous Arab refusal to make peace, Israel's need to defend herself mounts in cost. Present day costs are almost three times as much as just two short years ago (see Paragraph 2 above).



2. With one of the heaviest tax burdens in the world, the Israeli taxpayer is barely able to pay for these costs, and there is almost nothing left over (see Paragraph 3 above).
3. The social welfare costs are estimated to be \$420 million (see Paragraph 3 above), of which \$365 million are in areas of traditional philanthropic responsibility.
4. Prior to June, 1967 two thirds of the funds for maintenance of UJA-supported programs in Israel, for which it had the responsibility, was voluntarily contributed by the people of Israel. This is no longer possible.
5. It is the responsibility of free Jews in the outside world to provide the \$365 million. Estimating what might be available from the regular campaign in the United States in 1969, plus what might be available from campaigns, both regular and emergency, in the rest of the world in 1969, it is clear that the burden which can be met only by the Israel Emergency Fund of United States Jewry in 1969 is over \$200 million.
6. This is more than was raised during the Emergency Fund of 1967. It is therefore clear that the Emergency campaign of 1969 must be even larger than that of 1967. There is simply no alternative.

Israel Balance of Payments Data

Calendar Years 1966-1970

(in million U.S.\$)

Calendar Year	1966	1967	1968	1969	1970
1. Total Imports	1,317	1,479	1,876	2,200	2,475
(of which Defense)	(159)	(324)	(347)	(425)	(525)
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6. Imports from U.S.	400	434	570	640	800
7. Exports to U.S.	196	214	300	280	290
8. Israel Deficit	204	220	270	360	510
9. Capital import from US	232	464	314	305	435
10. Overall Israel Deficit (8-9; -=surplus)	-28	-244	-44	75	75

- 2 1/2 months

170  
Bonds USA 1300  
PL. 200 60  
G. 2m  
others 130  
invest  
transfer by  
individuals 80

\* including U.J.A. and Bonds

D.S. Sept. 4, '69

We Buy from U.S. 800

We sell to U.S. 290  
We have capital imp. 435  
725

170  
1300  
1300  
1300  
1300  
1300



M E M O R A N D U M

10 September, 1969

TO: UJA Field Staff

FROM: Herbert A. Friedman

First of all, I want to express my regret at being unable to be with you during the meetings in New York in August. I look forward to seeing each member of our staff in the near future -- and particularly to getting to know each new member personally.

I assume you have received and read my "Personal Letter" of August 22 which was written in Jerusalem. It contained some strong statements. To you, as members of the family, let me say they could have been even stronger. According to every sign, during the months ahead Israel's enemies will intensify and accelerate the present level of combat. There may or may not be full-scale war. But there will be an increasing cost for Israel in blood and in money. Everyone must admit the gravity of the situation -- there is no arguing with it. I'm enclosing a fact sheet which is extremely confidential. Read it very carefully - and learn its contents in detail. It tells the whole story.

A lot of bills will be coming due for Israel next year, and even more of them will have to be met in 1971. Despite the price required for keeping herself secure, Israel anticipates -- as always in the happiest sense of that word -- receiving at least 40,000 immigrants in 1970. There are mounting problems in the areas of housing, education, health and welfare services, and of general economic absorption, to be overcome. After careful consideration of all it entails, I've made a commitment that we're going to raise much more money in 1970 than we raised in 1969 - and 1969 will be about \$20 million more than 1968. We must continue to raise more - and we will try in 1970 to shoot for the 1967 high-water mark.

This is a commitment that must be met. It is going to take hard work on the part of all of us, individually -- and collectively as a team --, but there is good evidence that it can be done. We turned an important corner in 1969 by performing what is considered a virtual impossibility in fund-raising -- halting a downward trend in giving that became evident in fall, 1968, and making it reverse itself this year. We've got to make this reversal in itself a trend in 1970 -- a trend sharply upward.

As I have been intimating, I see us as involved in a task of making a pair of rather breath-taking climbs in the two years ahead. A successful achievement in the 1970 campaign is vital both for its own sake and the momentum which must be created for 1971. Truly the maintenance of Israel's well-being, perhaps the very assurance of its continuing security now so bravely guaranteed for us, never were as closely tied to the measure of our accomplishment. On our part, it will take all the skill that the old hands have and you new men must acquire, plus plenty of imagination, real understanding -- and plain hard work. Most of all, to succeed we must see to it that the challenge confronting us is not only accepted -- but accepted enthusiastically -- by the entire American-Jewish community. And that kind of acceptance has to begin with you.

See you soon.

HAF:bga  
Enc.

*Herb Friedman*

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NO. \_\_\_\_\_

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of which DEFENSE will be allotted 4.0 (42%), although Ministry of Defense has requested more, and will probably receive more before fiscal year is completed.	
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7. Casualties are mounting, both civilian and military, both dead and wounded. During the Six-Day War, there were 759 dead and about 2000 wounded. SINCE THE WAR, THERE HAVE BEEN 401 DEAD AND 1551 WOUNDED (figures as of 8 August 1969).

8. Another way to look at the terrible burden of defense is in terms of the balance of payments for Israel. For fiscal 1970, it is estimated that the gap between imports and exports will be \$975 million, of which \$525 will be directly attributable to defense purchases.

Balance of Payments Data, by Calendar Year  
(in million \$)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
TOTAL IMPORTS (of which for defense)	1,317 (159)	1,479 (324)	1,876 (347)	2,200 (425)	2,475 (525)
TOTAL EXPORTS	872	950	1,180	1,325	1,500
DEFICIT	445	529	696	875	975
DOLLAR RESERVES, at beginning of year	643	621	715	663	500
RESERVES, as % of Imports	(49%)	(42%)	(38%)	(30%)	(20%)

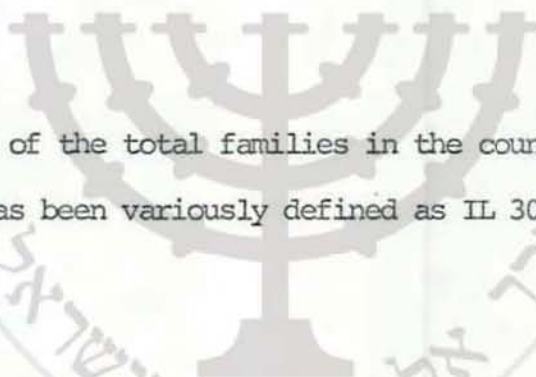
IN OTHER WORDS, BY THE END OF 1969 THE DOLLAR RESERVE WILL BE DROPPING  
TO THE DANGEROUS POINT OF BEING ABLE TO COVER ONLY 2½ MONTHS WORTH OF TOTAL IMPORTS.

9. It is interesting to note that in regard to the U.S.-Israel balance of payments, Israel is currently spending more money in the U.S. than she is receiving from the U.S., in all categories. For 1969, there will be a capital deficit for Israel of \$15 million, for 1970 it is estimated to rise to \$75 million.



10. It is anticipated that the number of new immigrants during 1970 will be at least 40,000 persons - possibly rising as high as 50,000 if conditions in a particular country permit. This will be a very sizable increase over previous years.
11. Social services are being frozen at 1967/8 levels, which includes welfare grants. As of August 1969, all public building is being frozen, including community centers, old folks' homes, municipal and government structures, synagogues and sport clubs. Hospital building was frozen more than one year ago.
12. One-quarter million people are living in sub-standard housing, dangerous slums - and nothing can be done about this.
13. One-fourth of the total families in the country are living below the poverty line, which has been variously defined as IL 300-400 per month per family (about \$100).

AMERICAN JEWISH  
ARCHIVES



CONCLUSIONS

1. In the face of Arab refusal to make peace, and the mounting intensity of the war of attrition and terrorism, Israel's need to defend herself mounts in cost. In fiscal 1970 defense costs will be more than twice as much as the defense costs during the year of the Six-Day War.
2. The Israeli citizen, bearing one of the heaviest tax burdens in the entire world, will produce enough revenue just barely to cover the defense costs, with almost nothing left over.
3. The social costs for the population rise, as immigration rises, and the entire responsibility for the philanthropic burden must be met by free world Jewry, not partial response, as has been the case in the past.
4. The Emergency Fund for 1969 will achieve a bit more than \$100 million in pledges, and the Regular Fund just under \$75 - for a total of \$175 million. This will be a \$20 million total increase over 1968.
5. For 1970 it is necessary for the Emergency Fund to reach the Six-Day War level of \$175, which, together with the Regular Fund of \$75, will represent a total of \$250 million. Even this is only half the amount required. A tremendous effort will be made by other Jewish communities in the world, as well. There is simply no alternative.



Contact: Michael H. Goldstein  
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F A C T S

ABOUT THE CRITICAL NEEDS BEHIND THE 1969 ISRAEL EMERGENCY FUND

1. Almost the entire revenue of Israel is required to maintain her defense, and there is practically no money available from Israel's internal revenue sources for any of the social services for the population.
2. It is estimated that the costs for social services of the population in fiscal 1969 in all areas will be \$420 million. Of this, it is estimated that \$365 million are in areas which have been the traditional responsibility of philanthropy, and which must be met by available philanthropic dollars, as follows:

Social Welfare Services, including	
Immigration and Absorption	\$100,000,000
Health Services	50,000,000
Education (non-compulsory: pre-kindergarten, secondary, vocational)	75,000,000
Institutions of Higher Learning	35,000,000
Youth Care and Training	6,000,000
Absorption in Agricultural Settlements (excluding occupied areas)	24,000,000
Immigrant Housing	<u>75,000,000</u>
TOTAL	\$365,000,000

3. It is anticipated that the number of new immigrants during 1969 will be more than 30,000 persons, which is a considerable increase over the years of 1967 and perhaps 1968.
4. Social Services are being frozen at 1968 levels. All hospital building is being frozen, as well as psychiatric services, pre-natal and infant welfare clinics, and welfare grants.
5. It is estimated that 123,000 families (one out of five) are living in sub-standard housing, and nothing can be done in 1969 to improve this situation.

6. It is estimated that there are 116,000 (one out of six) families living below the poverty line, which has been defined as IL 400 (less than \$115) per family per month, and nothing can be done to relieve this situation in 1969.
7. The defense budget of Israel for fiscal 1969 will be 20% of the Gross National Product. The comparable figure for the United States is 10%. This is clearly a tremendous burden on the people and economy of Israel.
8. In spite of the anticipated increase in Israel's exports, as her economy expands, the balance of payments deficit for 1969 is expected to be between \$600 - \$650 million, of which imports for defense purposes will account for the major portion.
9. The Defense budget for fiscal 1969 does not include capital payments for such items as purchase of Phantoms, or other weapons which must be manufactured in Israel, for which there will obviously be very heavy costs.
10. It is estimated that 3% of the population of Israel is in uniform and on active service, all year round. To understand the meaning of this burden, translated into American terms this would mean an army of 6 million men in the United States. Actually, even with our commitments in Vietnam, NATO, and other parts of the world, the United States does not have more than 3- $\frac{1}{2}$  million men in uniform.

#### CONCLUSION

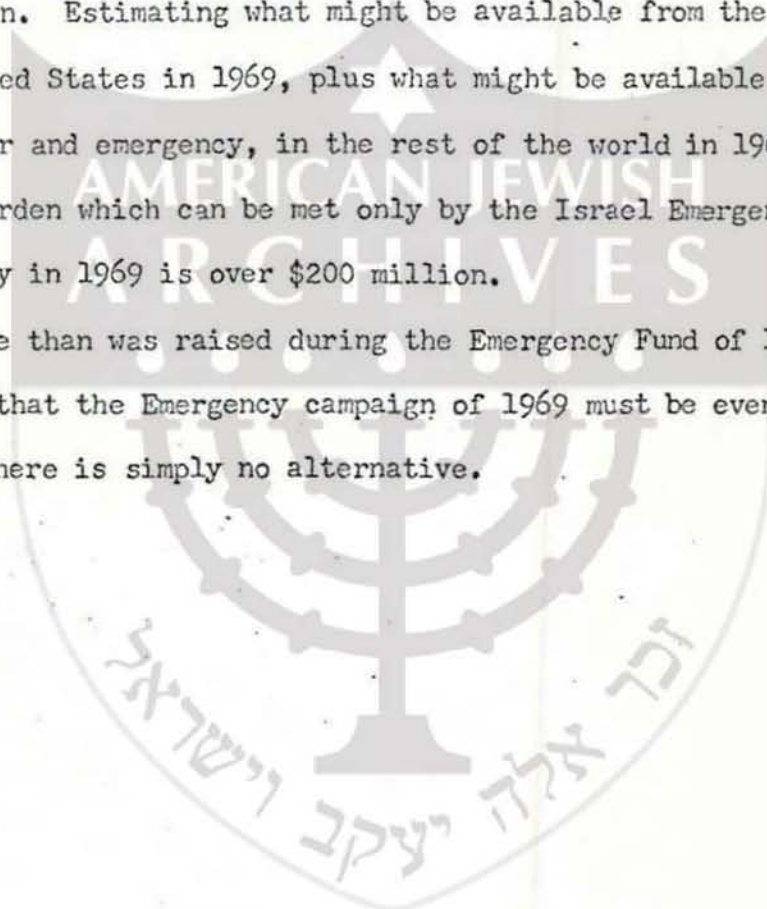
From all of the above, certain conclusions are clear and obvious.

1. In the face of continuous Arab refusal to make peace, Israel's need to defend herself mounts in cost. Present day costs are almost three times as much as just two short years ago.
2. With one of the heaviest tax burdens in the world, the Israeli taxpayer is barely able to pay for these costs, and there is almost nothing left over.
3. The social welfare costs are estimated to be \$420 million (see Paragraph 2 above) of which \$365 million are in areas of traditional philanthropic



responsibility.

4. Prior to June, 1967 two thirds of the funds for maintenance of UJA-supported programs in Israel, for which it had the responsibility, was voluntarily contributed by the people of Israel. This is no longer possible.
5. It is the responsibility of free Jews in the outside world to provide the \$365 million. Estimating what might be available from the regular campaign in the United States in 1969, plus what might be available from campaigns, both regular and emergency, in the rest of the world in 1969, it is clear that the burden which can be met only by the Israel Emergency Fund of United States Jewry in 1969 is over \$200 million.
6. This is more than was raised during the Emergency Fund of 1967. It is therefore clear that the Emergency campaign of 1969 must be even larger than that of 1967. There is simply no alternative.



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FACT SHEET

1. It is estimated that the Israeli internal revenue for fiscal year 1969, beginning April first, i.e., everything which can be expected to come from the Israeli citizens themselves, through their tremendously high tax schedule, will be somewhere between IL 3.3 and IL 3.6 billion (approximately \$1 billion).
2. It is estimated that the defense budget for operations and maintenance, exclusive of capital, in fiscal 1969, will be more than IL 3 billion (also about \$1 billion). Two years ago the comparable figure was IL 1.25 billion.
3. It is estimated that the costs for social services of the population in fiscal 1969 in all areas will be \$420 million. Of this, it is estimated that \$365 million are in areas which have been the traditional responsibility of philanthropy, and which must be met by available philanthropic dollars, as follows:

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TOTAL	\$365,000,000

FROM THE ABOVE THREE ITEMS IT IS CLEAR THAT ALMOST THE ENTIRE REVENUE OF ISRAEL IS REQUIRED TO MAINTAIN HER DEFENSE, AND THAT THERE IS PRACTICALLY NO MONEY AVAILABLE FROM ISRAEL'S INTERNAL REVENUE SOURCES FOR ANY OF THE SOCIAL SERVICES FOR THE POPULATION.



4. It is anticipated that the number of new immigrants during 1969 will be at least 30,000 persons, which is a considerable increase over the years of 1967 and perhaps 1968.
5. Social Services are being frozen at 1968 levels. All hospital building is being frozen, as well as psychiatric services, pre-natal and infant welfare clinics, and welfare grants.
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7. It is estimated that there are 116,000 (one out of six) families living below the poverty line, which has been defined as IL 400 (less than \$115) per family per month, and nothing can be done to relieve this situation in 1969.
8. The defense budget of Israel for fiscal 1969 will be 20% of the Gross National Product. The comparable figure for the United States is 10%. This is clearly a tremendous burden on the people and economy of Israel.
9. In spite of the anticipated increase in Israel's exports, as her economy expands, the balance of payments deficit for 1969 is expected to be between \$600 - \$650 million, out of which imports for defense purposes will account for \$370 million.
10. The military operating budget referred to in Paragraph 2 above and the balance of payments deficit referred to in Paragraph 9 above does not include capital payments for such items as purchase of Phantoms, or other sophisticated weapons which must be manufactured in Israel, for which there will obviously be very heavy costs.

11. It is estimated that 3% of the population of Israel is in uniform and on active service, all year round. To understand the meaning of this burden, translated into American terms this would mean an army of 6 million men in the United States. Actually, even with our commitments in Vietnam, NATO, and other parts of the world, the United States does not have more than 3-1/2 million men in uniform.

12. As an example of some of the expenses of the military budget, referred to in Paragraph 2 above, but by no means all-inclusive, are the following items:

	<u>\$ Million</u>
a) Sinai Desert - Suez Canal Area	55
b) Military expenses in occupied territories	140
c) Social services in occupied territories	30
d) Border guards and electronic fence, against infiltrators	75
e) Navy, to keep open passage to Eilat	20
f) Jordan and Beit Shean Valley, for shelters, paving of roads and concrete roofs	10
g) Civil defense, including anti-gas, in vulnerable areas	10
h) Air force and armoured corps needs	300

### CONCLUSION

From all of the above, certain conclusions are clear and obvious.

1. In the face of continuous Arab refusal to make peace, Israel's need to defend herself mounts in cost. Present day costs are almost three times as much as just two short years ago (see Paragraph 2 above).



2. With one of the heaviest tax burdens in the world, the Israeli taxpayer is barely able to pay for these costs, and there is almost nothing left over (see Paragraph 3 above).
3. The social welfare costs are estimated to be \$420 million (see Paragraph 3 above), of which \$365 million are in areas of traditional philanthropic responsibility.
4. Prior to June, 1967 two thirds of the funds for maintenance of UJA-supported programs in Israel, for which it had the responsibility, was voluntarily contributed by the people of Israel. This is no longer possible.
5. It is the responsibility of free Jews in the outside world to provide the \$365 million. Estimating what might be available from the regular campaign in the United States in 1969, plus what might be available from campaigns, both regular and emergency, in the rest of the world in 1969, it is clear that the burden which can be met only by the Israel Emergency Fund of United States Jewry in 1969 is over \$200 million.
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FACT SHEET - BASIC PRESENTATION

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- I. RUSSIAN PRESENCE, in arms and men, on operational duties, as well as advisory, has increased since Jan. 1970, to point where Pres. Nixon said in June that Middle East was a greater danger to world peace than Southeast Asia.
- 1) Russian arms supplied to Egypt since Six Day War total:
    - \$580 million, given for nothing, as replacement for destroyed material
    - \$1000 million, sold on ten years credit, 2 years grace, 2% interest, at 1/3 cut price
    - Total \$1 billion, 580 million.
  - 2) Russian men - nobody really knows any longer, but with full MIG operational squadrons, SA-2 and SA-3 missile sites, radar installations, plus all previously known advisers, there are probably 10-15,000 Russians in Egypt.
  - 3) Russian missiles
    - a) The Russians have become deeply involved in Egyptian air defense. By end of June, they had brought 12 to 15 SA-2 batteries (6 launchers each) plus 3 to 5 SA-3 batteries (4 launchers each - with 2 missiles to each launcher) into area close to Canal. They have also brought fighter squadrons to airfields close to Canal.
    - b) The Russians are not "a little pregnant". Once they took a decision to enter air defense, they must go all the way, including sending their pilots up to intercept. They make one move after another very gradually. Slowly they will move forward with missiles, and when there are no more Israeli planes over the Canal, they will move artillery forward and hammer Israeli ground defenses, make it hard to rebuild, cause many casualties, and finally try to cross. Even to take only a few kilometers on east Bank would be worthwhile for them.
    - c) Israel has some electronic and other defenses against the SA-2, but there is thus far no adequate defense against the SA-3. Several Phantoms have been lost to these missiles. Each missile costs approx. \$100,000 and the Russians have fired as many as 60 on one day - or \$6 million worth. It is a wonder



that not more Israeli aircraft have been lost.

- d) The missile sites are interspersed-SA.2 and SA.3 covering each other - in a zone approximately 20 miles west of the Canal. Were these sites to be moved forward to the Canal itself, Israel would be in great danger, forced in effect back from the Canal. Cross-Canal landings would then be possible. It is obvious that these sites must be removed or destroyed at any cost, by any means.

## II. ARAB MILITARY BUILD-UP

- 1) On Egyptian front, Israel is out manned 12:1, and out gunned 24:1.
- 2) The Iraqis have two divisions and 400 tanks in Jordan.
- 3) Syria keeps 100,000 men in the short line between Kuneitra and Damascus (approx. 40 miles), plus 1000 tanks, which was the size of the entire Egyptian force in the Sinai desert threatening Israel in May 1967.
- 4) Enemy aircraft - fighters only (figures for bombers and other aircraft not given here).

	<u>at end of Six Day War</u>	<u>Today</u>
Egypt	50	550
Syria	45	260
Jordan	0	40
	<u>95</u>	<u>850</u>

	<u>at end of Six Day War</u>	<u>Today</u>
	<u>Tanks</u>	
Egypt	300	1600
Syria	350	1000
Jordan	100	450
	<u>750</u>	<u>3050</u>

## III. ISRAELI DEFENSE

1. The defense budget for 1967 (year of actual war) was IL 1.25 billion (approx. \$360 million). The defense budget for 1970 started at IL 3.8 billion and will probably finish at IL 5 billion (approx. \$1,440 million) - or 4 times as much as the year of the Six Day War.

2) Development of the defense budret :

<u>Year</u>	<u>Defence budget</u> (current prices)		<u>Defence budget</u> as % of GNP %	<u>Defence budget</u> as % of total Governmental budget %
	<u>billion</u> <u>IL</u>	<u>million</u> <u>\$</u>		
1966/7	1.2	343	11	11.4
1967/8	2.0	571	16	35
1968/9	2.7	771	19	42
1969/70	3.3	971	21	40
1970/1 (original)	3.8	1086	23	40
1970/1	5	1428	30	45

3) The dollar cost and sources of direct imports for defense were :

<u>Year</u>	<u>Total Imports</u> million \$	<u>Imports</u> from the USA million \$	<u>Share of</u> USA %
1967/8	200	46.8	24
1968/9	305	122.5	40
1969/70	395	269.-	68
1970/71 (original)	510	385.-	70
1970/71	735	611.-	83

4) The causes of the rise in defence expenditures are:

a) The rapid build up of Arab forces as demonstrated in the following table.

	<u>Prior to</u> <u>6 day war</u>	<u>At present</u>	<u>Expected in</u> <u>Feb. 1972</u>
Armour	100%	170%	220%
Air Force	100%	204%	280%
Artillery	100%	121%	155%



- b) Accelerated intensification of Israeli front line activities :

<u>Fiscal Year</u>	<u>Total</u>	
	million IL	million \$
1967/8	68.1	19.5
1968/9	185.8	53
1969/70	488.2	140
1970/71	827.8	236

- c) The rising cost of weapon system as illustrated below:

<u>Tanks</u>	<u>IL</u>	<u>\$</u>
Shermans	250,000	= 70,000 approx.
Centurion	500,000	= 140,000 approx.
Modern tank	1,000,000	= 280,000 approx.

Aircraft

Ouragan	0.2 million dollars
Mirage	1.3 " "
Phantom	3.7 " "

5. Reasons for the recent additions to the defence budget:

- a) on March 1970 Soviet pilots started operational flights in Egypt. The Egyptian army, encouraged by this development, stepped up its ground activities. To meet the new threat several measures were undertaken. These included heavier bombing and shelling of Egyptian positions, strengthening of Israeli fortifications and the improvement of warning systems. Additional expenditures of 300 million IL (almost \$100 million) were required.
- b) In June, the Egyptians and the Soviets moved forward their anti-aircraft missiles, and other troops. The direct Soviet involvement forced Israel to speed up the military preparations, that is, to increase the procurement of aircraft, anti aircraft missiles, ammunition, armour, electronic equipment etc.

The total cost of the increase in equipment and supply is about \$625 million, of which about \$250 million are payable in the current fiscal year.

6. What are the possible effects of the cease-fire on defence expenditures ?

Since the Arabs are arming very rapidly, and since hostilities may break out at the end of the cease-fire period( and even before) Israel must prepare for this contingency.

It is therefore, necessary to:

- (a) strengthen fortifications
  - (b) build up inventories of air bombs, heavy and light ammunition, spare parts etc.
  - (c) in general, build up Israel's strength, so Egypt will be deterred from breaking the cease-fire again, or if she attacks, to meet the possibility of a renewed all out war.
7. The present budget calls for the purchase in 1970 of approximately \$500 million worth of arms and supplies.
8. Additional arms can be, and will be purchased, during the balance of fiscal 1970 and 1971, for approximately \$625 million. This will include Phantom and Skyhawk planes, tanks, heavy guns, troop carriers, anti-aircraft, hawk batteries, and other equipment. This fact is of crucial importance. The cease fire does not affect the delivery of these weapons, although exact timetable of delivery may vary depending on circumstances. Israel will get this equipment and that is the basic reason for this sharp cost increase.
9. These arms must be paid for. Some long-term credits are available but not for very large amounts. The limits of Congressional authorizations are being researched carefully to ascertain the maximum credits possible, but even if these were to be granted, it is estimated that the total would not go much beyond \$200 million. In this connection it must always be remembered that Israel's foreign currency debt, which is a heavy mortgage on the next generation, is already in the vicinity of \$2.5 billion.



10. Since it is usually difficult to buy abroad, Israel must increasingly develop its own ability to produce. Before the six day war, military goods and services were bought in Israel for H400 million (\$130 million). Today Ministry of Defence is buying annually H1.25 billion (\$360 million) and in next few years will reach H2.0 billion (\$570 million). But this requires a huge infrastructure which means tremendous capital investment.

IV. FINANCIAL FACTS

1. It is now estimated, after revisions made since the beginning of the fiscal year in April, that the Israel Government budget for the fiscal 1970/71 will look as follows:

		<u>1970/71</u>		
		<u>Expend.</u>		<u>Income</u>
		(H Billion)		(H Billion)
	Defence	5.-		5.7
Welfare	Services	1.7		3.5
	Economic services (development)	1.6		1.8
	Other services debt service	1.8 1.9		
		<u>11.0</u>		<u>11.0</u>

Tax revenue  
Internal loans  
(mainly from  
bonds bought  
by Israeli  
public and  
banks).  
  
External loans  
(from banks and  
institutions  
outside Israel)

2. Defence costs will consume almost 90% of tax revenue.
3. The economy keeps growing, the people of Israel keep paying more taxes, buying more Government bonds, subscribing to more compulsory loans, and yet the defence costs mount in such tremendous volume as to consume almost 90% of the entire tax income and almost one third of the entire GNP. No country in the world bears such a burden. In American equivalent terms, the GNP is around \$900 billion, and the defence cost is around \$80 billion, or less than 10%. Imagine the effect in the United States if the defence cost were 30%, or well over \$300 billion.

4. Israel has today more than 20% of its entire labor force in uniform, and in the defence industries. It is obvious what a destructive effect this has on the total economy.
5. Another way to look at the terrible burden of defence is in terms of the balance of payments. For fiscal 1970, it is estimated that the gap between imports and exports will be \$1 billion 200 million. Of this amount \$760 million will be directly attributable to defence purchases.

Balance of payments (in million \$)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
TOTAL IMPORTS (of which for defence)	1,317 (159)	1,479 (324)	1,876 (347)	2,200 (425)	2,700 (760)
TOTAL EXPORTS	<u>872</u>	<u>950</u>	<u>1,180</u>	<u>1,325</u>	<u>1,500</u>
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DOLLAR RESERVES at beginning of year	643	621	715	663	400
RESERVES, as % of IMPORTS	(49%)	(42%)	(38%)	(30%)	(15%)

In other words, by the end of 1970, the dollar reserve will be dropping to the dangerous point of being able to cover only 1/6 or 2 months worth of imports.

6. It is interesting to note that in regard to the US-Israel balance of payments, Israel is currently spending more money in the US than it is receiving from the US in all categories. For 1970 it is estimated that Israel will spend in the US \$300 million more than Israel is receiving from the US.



V. JEWISH AGENCY NEEDS BUDGET 1971

(figures rounded-out)

	<u>\$</u>
Immigration and Absorption	50,750,000
Absorption in Agricultural Settlements	42,000,000
Social Welfare services	41,000,000
Health Services	72,000,000
Employment	10,750,000
Housing	178,500,000
Youth Aliyah	7,500,000
Education	69,250,000
Higher Education	80,000,000
Debt Services	38,000,000
Administration, Comptroller, Reserves	<u>11,750,000</u>
	<u>\$ 601,500,000</u>

These figures are based upon an immigration for 1971  
of 40,000 - 50,000 persons.

## CONCLUSIONS

1. In fiscal 1970 Israel's defence costs will be four times as much as during the year of the six day war.
2. Even if the cease fire on the Suez Canal, is maintained, defence costs will be reduced only marginally, because of the continuation of all expenditures, and the purchase of heavy equipment from the United States. In addition, war on the other fronts also continues.
3. As one high-ranking officer put it : "If the cease-fire is to lead to peace, it will be because Israel maintains her strength. Then perhaps the Arabs will understand the futility of their war of attrition. If, on the other hand, the Israeli position deteriorates, there is no incentive for the Arabs to negotiate. Israel's strength is her trump card. If the cease fire were to lead, by some miracle, to peace, the worst we will have done is to have spent one billion dollars to insure peace. Would not that be the greatest bargain in the world ?"
4. The Israeli citizen, bearing one of the heaviest tax burdens in the entire world, will produce enough revenue just barely to cover the defence costs, with almost nothing left over. As immigration continues, at an annual rate of 40,000 to 50,000, the entire responsibility for the philanthropic burden, must be met by free world Jewry, not partial response, as has been the case in the past.
5. The UJA for 1970, in both the Emergency Fund and Regular Fund, will achieve more than 200 million in pledges, which will be a 30 million dollar increase over 1969.
6. For 1971, it will be necessary for the UJA to attempt to reach 400 million dollars, in both the regular and emergency funds. In addition there are the local and national budgets for the communities outside New York City, which will comprise almost 100 million dollars for 1971. This means that the total campaign effort must be for 500 million dollars. A tremendous effort will be made by the free Jewish communities in the world, as well. The Keren Hayesod countries will make the effort to reach 200 million dollars in 1971, which is more than double the current performance of 1970.

The UJA slogan for this campaign, will be "SURVIVAL MEANS SACRIFICE".



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	<u>750</u>	<u>3050</u>

## III. ISRAELI DEFENSE

1. The defense budget for 1967 (year of actual war) was IL 1.25 billion (approx. \$360 million). The defense budget for 1970 started at IL 3.8 billion and will probably finish at IL 5 billion (approx. \$1,440 million) - or 4 times as much as the year of the Six Day War.



2) Development of the defense budget :

<u>Year</u>	<u>Defence budget (current prices)</u>		<u>Defence budget as % of GNP</u>	<u>Defence budget as % of total Governmental budget</u>
	<u>billion IL</u>	<u>million \$</u>	<u>%</u>	<u>%</u>
1966/7	1.2	343	11	11.4
1967/8	2.0	571	16	35
1968/9	2.7	771	19	42
1969/70	3.3	971	21	40
1970/1 (original)	3.8	1086	23	40
1970/1	5	1428	30	45

3) The dollar cost and sources of direct imports for defense were :

<u>Year</u>	<u>Total Imports million \$</u>	<u>Imports from the USA million \$</u>	<u>Share of USA %</u>
1967/8	200	46.8	24
1968/9	305	122.5	40
1969/70	395	269.-	68
1970/71 (original)	510	385.-	70
1970/71	735	611.-	83

4) The causes of the rise in defence expenditures are:

a) The rapid build up of Arab forces as demonstrated in the following table.

	<u>Prior to 6 day war</u>	<u>At present</u>	<u>Expected in Feb. 1972</u>
Armour	100%	170%	220%
Air Force	100%	204%	280%
Artillery	100%	121%	155%

b) Accelerated intensification of Israeli front line activities :

<u>Fiscal Year</u>	<u>Total</u>	
	million	million
	IL	\$
1967/8	68.1	19.5
1968/9	185.8	53
1969/70	488.2	140
1970/71	827.8	236

c) The rising cost of weapon system as illustrated below:

<u>Tanks</u>	<u>IL</u>	<u>\$</u>
Shermans	250,000	= 70,000 approx.
Centurion	500,000	= 140,000 approx.
Modern tank	1,000,000	= 280,000 approx.

<u>Aircraft</u>	
Ouragan	0.2 million dollars
Mirage	1.3 " "
Phantom	3.7 " "

5. Reasons for the recent additions to the defence budget:

a) on March 1970 Soviet pilots started operational flights in Egypt. The Egyptian army, encouraged by this development, stepped up its ground activities. To meet the new threat several measures were undertaken. These included heavier bombing and shelling of Egyptian positions, strengthening of Israeli fortifications and the improvement of warning systems. Additional expenditures of 300 million IL (almost \$100 million) were required.

b) In June, the Egyptians and the Soviets moved forward their anti-aircraft missiles, and other troops. The direct Soviet involvement forced Israel to speed up the military preparations, that is, to increase the procurement of aircraft, anti aircraft missiles, ammunition, armour, electronic equipment etc..



The total cost of the increase in equipment and supply is about \$625 million, of which about \$250 million are payable in the current fiscal year.

6. What are the possible effects of the cease-fire on defence expenditures ?

Since the Arabs are arming very rapidly, and since hostilities may break out at the end of the cease-fire period( and even before) Israel must prepare for this contingency.

It is therefore, necessary to:

- (a) strengthen fortifications
  - (b) build up inventories of air bombs, heavy and light ammunition, spare parts etc.
  - (c) in general, build up Israel's strength, so Egypt will be deterred from breaking the cease-fire again, or if she attacks, to meet the possibility of a renewed all out war.
7. The present budget calls for the purchase in 1970 of approximately \$500 million worth of arms and supplies.
8. Additional arms can be, and will be purchased, during the balance of fiscal 1970 and 1971, for approximately \$625 million. This will include Phantom and Skyhawk planes, tanks, heavy guns, troop carriers, anti-aircraft, hawk batteries, and other equipment. This fact is of crucial importance. The cease fire does not affect the delivery of these weapons, although exact timetable of delivery may vary depending on circumstances. Israel will get this equipment and that is the basic reason for this sharp cost increase.
9. These arms must be paid for. Some long-term credits are available but not for very large amounts. The limits of Congressional authorizations are being researched carefully to ascertain the maximum credits possible, but even if these were to be granted, it is estimated that the total would not go much beyond \$200 million. In this connection it must always be remembered that Israel's foreign currency debt, which is a heavy mortgage on the next generation, is already in the vicinity of \$2.5 billion.



10. Since it is usually difficult to buy abroad, Israel must increasingly develop its own ability to produce. Before the six day war, military goods and services were bought in Israel for 11400 million (\$130 million). Today Ministry of Defence is buying annually 11.25 billion (\$360 million) and in next few years will reach 112.0 billion (\$570 million). But this requires a huge infrastructure which means tremendous capital investment.

IV. FINANCIAL FACTS

1. It is now estimated, after revisions made since the beginning of the fiscal year in April, that the Israel Government budget for the fiscal 1970/71 will look as follows:

		<u>1970/71</u>		
		<u>Expend.</u> (11 Billion)	<u>Income</u> (11 Billion)	
	Defence	5.-	5.7	Tax revenue
Welfare	Services	1.7	3.5	Internal loans (mainly from bonds bought by Israeli public and banks).
Economic services (development)		1.6	1.8	External loans (from banks and institutions outside Israel)
Other services debt service		.8		
		<u>1.9</u>		
		11.0	<u>11.0</u>	

2. Defence costs will consume almost 90% of tax revenue.
3. The economy keeps growing, the people of Israel keep paying more taxes, buying more Government bonds, subscribing to more compulsory loans, and yet the defence costs mount in such tremendous volume as to consume almost 90% of the entire tax income and almost one third of the entire GNP. No country in the world bears such a burden. In American equivalent terms, the GNP is around \$900 billion, and the defence cost is around \$80 billion, or less than 10%. Imagine the effect in the United States if the defence cost were 30%, or well over \$300 billion.



4. Israel has today more than 20% of its entire labor force in uniform, and in the defence industries. It is obvious what a destructive effect this has on the total economy.
5. Another way to look at the terrible burden of defence is in terms of the balance of payments. For fiscal 1970, it is estimated that the gap between imports and exports will be \$1 billion 200 million. Of this amount \$760 million will be directly attributable to defence purchases.

Balance of payments (in million \$)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
TOTAL IMPORTS	1,317	1,479	1,876	2,200	2,700
(of which for defence)	(159)	(324)	(347)	(425)	(760)
TOTAL EXPORTS	<u>872</u>	<u>950</u>	<u>1,180</u>	<u>1,325</u>	<u>1,500</u>
DEFICIT	445	529	696	875	1,200
DOLLAR RESERVES at beginning of year	643	621	715	663	400
RESERVES, as % of IMPORTS	(49%)	(42%)	(38%)	(30%)	(15%)

In other words, by the end of 1970, the dollar reserve will be dropping to the dangerous point of being able to cover only 1/6 or 2 months worth of imports.

6. It is interesting to note that in regard to the US-Israel balance of payments, Israel is currently spending more money in the US than it is receiving from the US in all categories. For 1970 it is estimated that Israel will spend in the US \$300 million more than Israel is receiving from the US.

V. JEWISH AGENCY NEEDS BUDGET 1971

(figures rounded-out)

	<u>\$</u>
Immigration and Absorption	50,750,000
Absorption in Agricultural Settlements	42,000,000
Social Welfare services	41,000,000
Health Services	72,000,000
Employment	10,750,000
Housing	178,500,000
Youth Aliyah	7,500,000
Education	69,250,000
Higher Education	80,000,000
Debt Services	38,000,000
Administration, Comptroller, Reserves	<u>11,750,000</u>
	<u>\$ 601,500,000</u>

These figures are based upon an immigration for 1971  
of 40,000 - 50,000 persons.



## CONCLUSIONS

1. In fiscal 1970 Israel's defence costs will be four times as much as during the year of the six day war.
2. Even if the cease fire on the Suez Canal, is maintained, defence costs will be reduced only marginally, because of the continuation of all expenditures, and the purchase of heavy equipment from the United States. In addition, war on the other fronts also continues.
3. As one high-ranking officer put it : "If the cease-fire is to lead to peace, it will be because Israel maintains her strength. Then perhaps the Arabs will understand the futility of their war of attrition. If, on the other hand, the Israeli position deteriorates, there is no incentive for the Arabs to negotiate. Israel's strength is her trump card. If the cease fire were to lead, by some miracle, to peace, the worst we will have done is to have spent one billion dollars to insure peace. Would not that be the greatest bargain in the world ?"
4. The Israeli citizen, bearing one of the heaviest tax burdens in the entire world, will produce enough revenue just barely to cover the defence costs, with almost nothing left over. As immigration continues, at an annual rate of 40,000 to 50,000, the entire responsibility for the philanthropic burden, must be met by free world Jewry, not partial response, as has been the case in the past.
5. The UJA for 1970, in both the Emergency Fund and Regular Fund, will achieve more than 200 million in pledges, which will be a 30 million dollar increase over 1969.
6. For 1971, it will be necessary for the UJA to attempt to reach 400 million dollars, in both the regular and emergency funds. In addition there are the local and national budgets for the communities outside New York City, which will comprise almost 100 million dollars for 1971. This means that the total campaign effort must be for 500 million dollars. A tremendous effort will be made by the free Jewish communities in the world, as well. The Keren Hayesod countries will make the effort to reach 200 million dollars in 1971, which is more than double the current performance of 1970.

The UJA slogan for this campaign, will be "SURVIVAL MEANS SACRIFICE".



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- I. RUSSIAN PRESENCE, in arms and men, on operational duties, as well as advisory, has increased since Jan. 1970, to point where Pres. Nixon said in June that Middle East was a greater danger to world peace than Southeast Asia.
- 1) Russian arms supplied to Egypt since Six Day War total:
    - \$580 million, given for nothing, as replacement for destroyed material
    - \$1000 million, sold on ten years credit, 2 years grace, 2% interest, at 1/3 cut price
    - Total \$1 billion, 580 million.
  - 2) Russian men - nobody really knows any longer, but with full MIG operational squadrons, SA-2 and SA-3 missile sites, radar installations, plus all previously known advisers, there are probably 10-15,000 Russians in Egypt.
  - 3) Russian missiles
    - a) The Russians have become deeply involved in Egyptian air defense. By end of June, they had brought 12 to 15 SA-2 batteries (6 launchers each) plus 3 to 5 SA-3 batteries (4 launchers each - with 2 missiles to each launcher) into area close to Canal. They have also brought fighter squadrons to airfields close to Canal.
    - b) The Russians are not "a little pregnant". Once they took a decision to enter air defense, they must go all the way, including sending their pilots up to intercept. They make one move after another very gradually. Slowly they will move forward with missiles, and when there are no more Israeli planes over the Canal, they will move artillery forward and hammer Israeli ground defenses, make it hard to rebuild, cause many casualties, and finally try to cross. Even to take only a few kilometers on east Bank would be worthwhile for them.
    - c) Israel has some electronic and other defenses against the SA-2, but there is thus far no adequate defense against the SA-3. Several Phantoms have been lost to these missiles. Each missile costs approx. \$100,000 and the Russians have fired as many as 60 on one day - or \$6 million worth. It is a wonder



that not more Israeli aircraft have been lost.

- d) The missile sites are interspersed-SA.2 and SA.3 covering each other - in a zone approximately 20 miles west of the Canal. Were these sites to be moved forward to the Canal itself, Israel would be in great danger, forced in effect back from the Canal. Cross-Canal landings would then be possible. It is obvious that these sites must be removed or destroyed at any cost, by any means.

## II. ARAB MILITARY BUILD-UP

- 1) On Egyptian front, Israel is out manned 12:1, and out gunned 24:1.
- 2) The Iraqis have two divisions and 400 tanks in Jordan.
- 3) Syria keeps 100,000 men in the short line between Kuneitra and Damascus (approx. 40 miles), plus 1000 tanks, which was the size of the entire Egyptian force in the Sinai desert threatening Israel in May 1967.
- 4) Enemy aircraft - fighters only (figures for bombers and other aircraft not given here).

<u>at end of Six Day War</u>		<u>Today</u>
Egypt	50	550
Syria	45	260
Jordan	0	40
	<u>95</u>	<u>850</u>

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	<u>750</u>	<u>3050</u>

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				External loans (from banks and institutions outside Israel)
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Other services		.8		
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		<u>11.0</u>	<u>11.0</u>	

2. Defence costs will consume almost 90% of tax revenue.

3. The economy keeps growing, the people of Israel keep paying more taxes, buying more Government bonds, subscribing to more compulsory loans, and yet the defence costs mount in such tremendous volume as to consume almost 90% of the entire tax income and almost one third of the entire GNP. No country in the world bears such a burden. In American equivalent terms, the GNP is around \$900 billion, and the defence cost is around \$80 billion, or less than 10%. Imagine the effect in the United States if the defence cost were 30%, or well over \$300 billion.



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(figures rounded-out)

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These figures are based upon an immigration for 1971  
of 40,000 - 50,000 persons.

## CONCLUSIONS

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2. Even if the cease fire on the Suez Canal, is maintained, defence costs will be reduced only marginally, because of the continuation of all expenditures, and the purchase of heavy equipment from the United States. In addition, war on the other fronts also continues.
3. As one high-ranking officer put it : "If the cease-fire is to lead to peace, it will be because Israel maintains her strength. Then perhaps the Arabs will understand the futility of their war of attrition. If, on the other hand, the Israeli position deteriorates, there is no incentive for the Arabs to negotiate. Israel's strength is her trump card. If the cease fire were to lead, by some miracle, to peace, the worst we will have done is to have spent one billion dollars to insure peace. Would not that be the greatest bargain in the world ?"
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THE PRICE OF DEFENCE

HISTORIC SURVEY AND FACT SHEET

Almost 15 months of cease fire have - apart from saving many lives on both sides of the Suez Canal - enabled both forces to become much stronger than they were at the beginning of August 1970. Furthermore, the sophistication, and therefore the price, of the additional equipment grow almost daily.

- I. SOVIET SUPPORT TO EGYPT, in arms and men, on operational duties, as well advisory, has increased continuously since January 1970.
- 1) Soviet arms and equipment supplied to Egypt since the Six Day War - whether given as outright grants, as replacement for destroyed material, or sold on long term favorable credit terms - total at least \$2 billion, 300 million.
  - 2) Soviet Personnel - nobody really knows exact numbers, but with full MIG operational squadrons, SA-2 and SA-3 missile sites, radar installations, plus all previously known advisors, there are at least 15,000 Russians in Egypt.
  - 3) Soviet Missiles and Anti-Aircraft
    - (a) The Russians have become deeply involved in Egyptian air defence. They have brought about 40 SA-2 batteries (6 launchers each); also a number of SA-3 batteries (4 launchers each - with 2 missiles to each launcher) into the area close to the Canal. The missile sites are interspersed - SA-2 and SA-3 covering each other. They have also brought fighter squadrons to airfields close to the Canal.
    - (b) With the missiles in their present position the Russians pose a great threat to Israeli planes flying over the Canal. After inflicting serious losses upon the Israeli Air Force, they will move artillery forward and hammer Israeli ground defenses, make it hard to rebuild, cause many casualties, and finally try to cross. Even to take only a few kilometers on the east bank of the Canal would be worthwhile for them.

- (c) Israel has some electronic and other defenses against the Russian missiles. Several Phantoms were lost last year owing to these missiles. Each missile costs approximately \$ 100,000 and the Russians have been known to fire as many as 60 on one day - or \$ 6 million worth.

## II. EXPANSION OF ARAB MILITARY STRENGTH

- 1) The Israeli forces are vastly outmanned and outgunned by the Egyptians.
- 2) Syria maintains an army of 60,000 men in the area between Kuneitra and Damascus (approximately 40 miles) with more than 1,000 tanks, which was larger than the entire Egyptian force in the Sinai desert threatening Israel in May 1967.
- 3) Arab aircraft - fighters only:

	<u>At end of Six Day War</u>	<u>Today</u>
Egypt	50	600
Syria	45	260
Jordan	0	40
	<u>95</u>	<u>900</u>

- 4) Arab Tanks:

	<u>At end of Six Day War</u>	<u>Today</u>
Egypt	300	2000
Syria	350	1200
Jordan	100	500
	<u>750</u>	<u>3700</u>

## III. ANALYSIS OF ISRAELI DEFENCE

- 1) The original defence budget for 1967 (year of actual war) was IL 1.25 billion (approx. \$ 300 million). The defence expenditure for 1970 was IL 5.55 billion (approx. \$ 1.32 billion) - or slightly more than 4 times as much as the year of the Six Day War.

The 1971 expenditure will be IL 7.04 billion (or \$ 1.68 billion) - or more than 5 times as much as the year of the Six Day War.

The 1972 budget is under discussion now.



2) History of the defence budget:

<u>Year</u>	<u>Defence budget</u>	<u>Indirect Expenditures</u>	<u>Total Defence Expenditures</u>	<u>Defence Expenditure as % of GNP</u>
	million IL	million IL	million IL	%
1966				11
1967	2,140			16
1968	2,910			19
1969	3,570			21
1970 (original)	4,160			23
1970 (final)	5,000	550	5,550	27
1971 (original)	6,400	640	7,040	27

3) The causes of the huge defence expenditures are:

(a) The rapid expansion of enemy forces:

	<u>Prior to Six Day War</u>	<u>At Present</u>	<u>Expected in 1973</u>
Armour	100 %	190 %	300 %
Air Force	100 %	220 %	395 %

In addition there has been an enormous growth of artillery and other sophisticated equipment.

(b) The rising cost of military hardware, as illustrated below:

<u>Tanks</u>	<u>Approximate \$</u>
Shermans	70,000
Centurion	165,000
Modern tank	340,000
<u>Aircraft</u>	
Ouragan	0.125 million
Mirage	1.3 million
Phantom	5.8 million

(c) Costs of activating the aircraft are tremendous. For instance, hourly costs of flight of the above mentioned planes are as follows:

Ouragan	IL 1,800 per hour (\$500)
Mirage	IL 3,800 per hour (\$1100)
Phantom	IL 7,200 per hour (\$2100)



- (d) Costs of training pilots to fly the above types of aircraft are considerable. As the planes become ever more sophisticated these costs rise steeply, as shown below:

<u>Aircraft</u>	<u>Pilot training cost</u> (million IL)
Ouragan	0.6 (\$170,000)
Mirage	0.8 (\$230,000)
Phantom (IL 1.6 million each for 2 pilots)	3.2 (\$900,000)

4) Current developments and their impact on defence costs.

The Arabs are arming very rapidly and continue voicing their threats almost daily. Egypt, Syria and Libya signed a Federation agreement and proclaimed a return to the policy of Khartoum, namely, "No peace, no negotiation and no recognition of Israel." In the face of this development Israel must be prepared more than ever for these contingencies.

It is therefore necessary to:

- (a) strengthen fortifications on all fronts;
  - (b) increase inventories of air bombs, heavy and light ammunition, spare parts, etc.;
  - (c) in general to build up Israel's strength, so that the Arabs will be deterred from breaking the cease-fire, or if attacked Israel must be capable of meeting the possibility of all out war.
- 5) The present 1971/72 budget calls for the import of approximately \$ 850 million worth of arms and supplies. This includes Phantom and Skyhawk planes, tanks, heavy guns, troop carriers, anti-aircraft, hawk batteries and other sophisticated equipment.
- 6) The arms must be paid for. The U.S. Congress did act affirmatively upon President Nixon's request and \$ 500 million were allocated for the fiscal year 1971 to provide credits to finance Israel arms purchases from the U.S. Government. The credits were fully utilized leaving an unpaid balance of about \$ 175 million. These are credits not grants and must be repaid by Israel.
- 7) In the face of the continuing Arab military build-up and because of increased indebtedness Israel has no choice but to ask for additional support from the U.S. including grants. For the fiscal year 1972 Israel has requested a loan of \$ 300 million and a grant-in-aid of \$ 200 million since, despite all assistance in dollars from our regular sources, we will still have a very substantial, unmanageable deficit. Israel's requests for 1972 are still under review.

In this connection it must be noted that Israel's foreign currency debt, which is a heavy mortgage on the next generation, will reach \$ 3.4 billion by December 31, 1971 and the debt per capita will be almost \$ 1,400, the highest in the world.

In 1971, \$ 300 million of principal as well as \$ 200 million of interest have to be paid to service the external debt alone.



#### IV. ISRAEL BUDGET

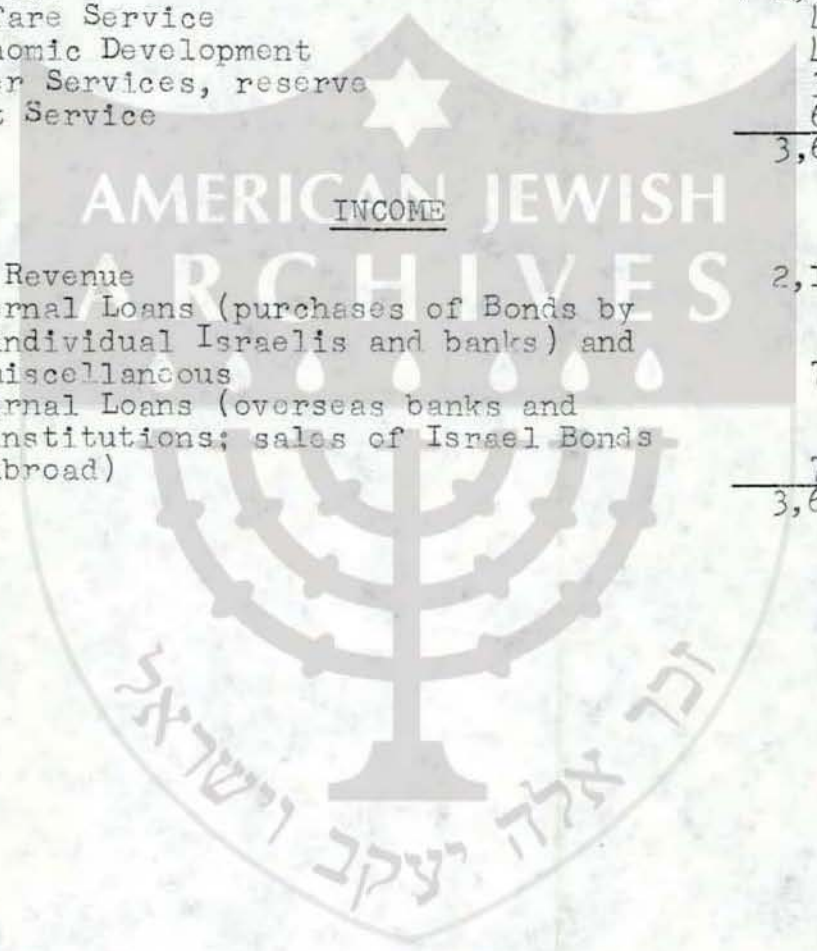
The government budget, currently in operation, covers the fiscal year 1971-72 (ending March 31, 1972).

#### EXPENDITURES

<u>Item</u>	<u>Amount in \$ Billion</u>
Defense	\$ 1,715
Welfare Service	428
Economic Development	452
Other Services, reserve	309
Debt Service	696
	<hr/>
	3,600

#### INCOME

Tax Revenue	2,100
Internal Loans (purchases of Bonds by individual Israelis and banks) and miscellaneous	715
External Loans (overseas banks and institutions; sales of Israel Bonds abroad)	785
	<hr/>
	3,600



V. BALANCE OF TRADE (Goods and Services)

Calendar Year 1/1 - 12/31

<u>Year</u>	<u>Imports</u>	<u>Exports</u>	<u>Negative Balance</u>
1966	\$1.3 Bil.	\$ .9 Bil.	- .4 Bil.
1967	1.4 "	.9 "	- .5 "
1968	1.8 "	1.1 "	- .7 "
1969	2.2 "	1.3 "	- .9 "
1970	2.6 "	1.4 "	-1.2 "
1971	3.0 "	1.6 "	-1.4 "
1972	3.2 "	1.9 "	-1.3 "

Defense Share in Imports

<u>Year</u>	<u>Total Imports</u>	<u>Defense Items</u>	<u>P.C. of Total</u>
1966	\$1.3 Bil.	\$ .2 Bil.	15.4
1967	1.4 "	.4 "	28.6
1968	1.8 "	.4 "	22.2
1969	2.2 "	.5 "	22.7
1970	2.6 "	.8 "	30.8
1971	3.1 "	.9 "	29.0
1972	3.2 "	.9 "	28.1



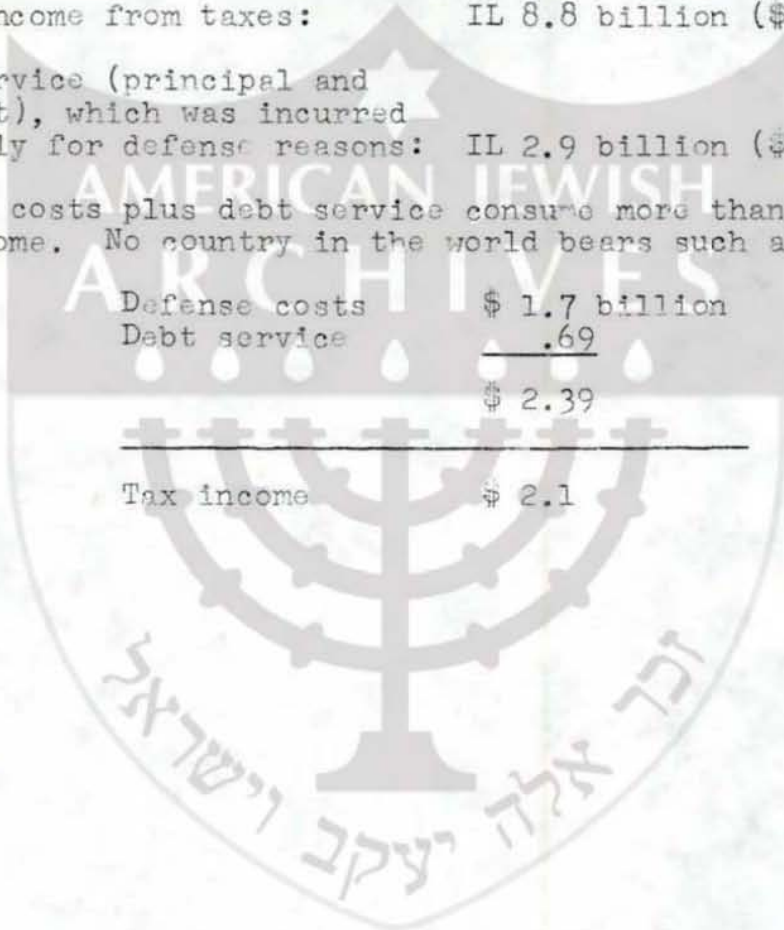


VI. FINANCIAL FACTS

1971/72

- 1) Israel Government budget IL 15.1 billion (\$ 3.6 billion)
- 2) Defense costs, direct plus indirect IL 7.04 billion (\$ 1.68 billion)
- 3) Defense, as % of total budget: 47 %
- 4) Total income from taxes: IL 8.8 billion (\$ 2.1 billion)
- 5) Debt service (principal and interest), which was incurred primarily for defense reasons: IL 2.9 billion (\$ 690 million)
- 6) Defense costs plus debt service consume more than the entire tax income. No country in the world bears such a burden.

Defense costs	\$ 1.7 billion
Debt service	.69
	\$ 2.39
Tax income	
	\$ 2.1



## SUMMARY

- A. Expenditures. Total defense expenditures command 47% of the entire budget, 81% of tax revenue, and 27% of GNP. Defense expenses - \$ 1,715 Billion, are twice as large as the combined total expenses for Welfare Services (\$ 428 Billion) and Economic Development (\$ 452 Billion).
- B. Income. The burdensome heavy Israeli taxes (\$ 2.1 Billion) provide 58.3% of the income, whereas internal and external loans (\$ 1.5 Billion) - 41.7% of the total State revenue.
- C. Dollar Reserves. Israel's dollar reserves shrank (1971) to a dangerously low level of \$ 350-400 Million - equivalent to 6 weeks of imports costs.

## CONCLUSION

In the fiscal year 1971/72 Israel's defence costs are five times more than they were during the year of the Six Day War.

If the de facto cease fire on the Suez Canal is maintained, defence expenditures will increase only marginally, because of the Arab arms build-up, and the need to purchase sophisticated equipment from the United States.

The Israeli citizen, bearing the heaviest tax burden in the entire world, will produce just enough revenue to cover the defence costs, and not enough to cover debt service. As immigration continues at an annual rate of 40,000 to 50,000, the full responsibility of the philanthropic burden as well as the financing of the economic development of Israel must be met by the free world Jewry.

To enable Israel to stand firm against Arab intransigence; to bolster Israel's economic growth; it is vital that higher goals be reached in 1972.

October 1971.